

VZCZCXRO7540  
RR RUEHDE RUEHDIR  
DE RUEHAM #0078/01 0090811  
ZNR UUUUU ZZH  
R 090811Z JAN 08  
FM AMEMBASSY AMMAN  
TO RUEHC/SECSTATE WASHDC 1406  
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE  
RUCPDO/DEPT OF COMMERCE WASHDC  
RHMCSUU/FAA NATIONAL HQ WASHINGTON DC  
RUEHEG/AMEMBASSY CAIRO 3464  
RUEHLB/AMEMBASSY BEIRUT 2765  
RUEHDM/AMEMBASSY DAMASCUS 3772  
RUEHTV/AMEMBASSY TEL AVIV 0937  
RUEHJM/AMCONSUL JERUSALEM 4783  
RUEHHK/AMCONSUL HONG KONG 0036  
RUEHBK/AMEMBASSY BANGKOK 0117

UNCLAS SECTION 01 OF 02 AMMAN 000078

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR NEA/ELA AND EEB

E.O. 12958: N/A

TAGS: [EAIR](#) [ECON](#) [KPRV](#) [JO](#)

SUBJECT: JORDAN REAPS \$232 MILLION FROM ROYAL JORDANIAN AIRLINES IPO

Sensitive but unclassified. Not for internet distribution.

REF: A. 07 Amman 4923

[1](#)B. 07 Amman 4426

[1](#)1. (U) SUMMARY: The Government of Jordan sold 71 percent of national air carrier Royal Jordanian's (RJ) shares in a recent IPO and raised \$232 million. During the IPO road show, RJ President Samer Majali highlighted RJ's growth in a growing region and the profitability of its Iraq routes. Since being listed on the Amman Stock Exchange, RJ's stock has not fluctuated greatly. RJ has also announced a new route to Hong Kong, and King Abdullah announced plans for a new Jordan Valley airport. End Summary.

[1](#)2. (U) On December 17, stocks of national carrier Royal Jordanian were listed on the Amman Stock Exchange (ASE) after an initial public offering (IPO). The Government of Jordan floated 59.9 million shares in the IPO which represented 71 percent of RJ's total issued shares. The government will retain a 26 percent stake, and three percent of shares will be allocated for the Jordanian Armed Forces (JAF) (Ref B). IPO share prices were set at JD 3.08 (\$4.32) and raised \$232 million. The largest blocks of shares sold were 16 million shares to Beirut-based investment firm M1 Group, 6.4 million shares for the RJ employees' fund, and 8.4 million shares sold to Jordan's Social Security Corporation.

[1](#)3. (SBU) Citigroup Global Markets served as the global IPO coordinator and Arab Jordan Investment Bank (AJIB) was the Jordanian lead manager. Hani al-Qadi, AJIB General Manager, expressed pleasure to EconOff regarding the IPO, but representatives from other Jordanian investment banks said they had declined the opportunity to serve as the lead manager or to buy shares based on what they asserted were the company's weak fundamentals.

[1](#)4. (SBU) During the IPO road show, RJ president Samer Majali said that all of the IPO proceeds will go to the Government of Jordan and none to RJ, but that RJ's liquidity is solid. Majali outlined RJ's strengths to the 40-person audience: presence in the high-growth Middle East market; position as leading carrier in the Levant; high-quality product; competitive cost structure; membership in three marketing alliances: oneworld, SkyTeam, and Star Alliance; and a long-serving Jordanian management team partnered with strategically selected outsiders.

RJ REVENUES DERIVED FROM PASSENGER TRAVEL

-----

15. (SBU) Commenting on RJ's revenues, Majali said 80 percent came from passengers, three percent from charter flights, eight percent from cargo, and nine percent from other sources. He also said that 50 percent of RJ's traffic is transit traffic with an Amman layover. He identified as one of RJ's greatest strengths its 30 weekly Iraq routes which are earning high revenue because of weak competition. Majali downplayed future competition from low-cost carriers (LCCs) because they have been slow to enter the Middle East due to a lack of open skies agreements, low internet penetration, low credit card use and a lack of secondary airports. While LCCs have 25 percent market share in the United States and 11 percent in Europe, they have only a 1 percent market share in the Middle East.

16. (U) A November financial report prepared by Arab Advisors Group, a subsidiary of AJIB, emphasized RJ's strengths including passenger growth and its ability to benefit from unfavorable regional conditions and political events which hamper other flag carriers (Middle East Airlines, Syrian Arab Airlines, and El Al). The report noted, however, the decline in RJ's share of the cargo market, and the fuel subsidies received by other competing carriers.

17. (SBU) Since the IPO, RJ's stock has fluctuated between \$4.03 and \$4.54 with moderate trading volumes. Salem Ghawi, consultant to Executive Privatization Commission told EconOff on January 6 that the IPO was successful and said that the share price remaining close to the IPO price is a testament to the "fairness" of the IPO price.

#### RJ EXPANDING TO THE ASIAN MARKET

-----

18. (U) This week, Royal Jordanian announced that its passenger

AMMAN 00000078 002 OF 002

numbers increased 17 percent in 2007 to 2.1 million. RJ's seat factor or occupancy increased from 66 percent in 2006 to 71 percent in 2007. Departures increased by 18 percent and flying hours rose by 14 percent. RJ also announced it will begin service to Hong Kong via Bangkok at the end of the month. Jordan Investment Board (JIB) Assistant CEO Issa Gammoh told EconOff that Jordan is working diligently to increase its relationship with China, and JIB will open an office in Beijing this year (Ref A). During the IPO road show, Guido Ruther, RJ's Vice President for Network Management and Alliances said that the airline is also working hard to open up RJ to the U.S., particularly an Amman-Los Angeles route. NOTE: RJ currently serves North America in New York, Chicago, Detroit and Montreal. END NOTE.

19. (U) In other aviation news, King Abdullah announced plans in late December to build an airport in the northern Jordan Valley with the aim of helping the area market its agricultural produce better. The privatization of Queen Noor Technical College was also completed and ownership was transferred from the government to Royal Jordanian Air Academy.

Visit Amman's Classified Website at  
<http://www.state.sgov.gov/p/nea/amman>

HALE